Chairman's Corner

A change for *Management News*

LIONEL ELTIS
NPTA's Chairman of the Board

This is the last time you will see NPTA *Management News* in this form. It's changing to better serve our industry.

What started out in 1959 as *Current*, a four page newsletter, only a year ago became *Management News* running 16-20 pages monthly. With the August edition, *Management News* will be our newest industry magazine. It will take on a new four color look, but will continue the tradition of providing quality information to the managers of the paper distribution industry.

Before this, much work had been done to find out reader interests. A readership survey conducted last March by an outside consulting firm gave us a very pleasant surprise — *Management News* was ranked **highest** in value of all publications serving the paper distribution industry. The survey also showed that it is read regularly by 98.2% of those receiving it; and for each copy of *Management News* that is sent out, about five people read it!

We're very happy that you find this publication so valuable. Then why should we change it? Well, NPTA felt that through the addition of advertising, run on a limited basis, we could turn our newsletter into a magazine and use the advertising income to further expand and improve our product. You, the reader, will judge whether we accomplish this.

We feel confident that *NPTA Management News* magazine (which will use "MN" as its nickname) will continue to provide quality information. As we grow and develop it becomes increasingly important for us to know the information needs of the members. In the new scheme of things, *MN* will be asking for your opinion more often. Remember, it's our best way to keep on track, and we really *do* want to know what you think!

PERSONNEL PRODUCTIVITY MEASURES FROM PAR SURVEY

Sales, Gross Profit, Compensation
(All Data Are Medians)

	Printing			Industrial			Dual		
Overall Sales Department	1982	1983	Your Firm	1982	1983	Your Firm	1982	1983	Your Firm
Sales Per Sales Dept. Empl. ($000)	$755.7	$782.1		$445.1	$495.0		$580.7	$602.3	
G.P. Per Sales Dept. Empl. ($000)	118.1	127.8		100.4	107.5		103.9	108.8	
Sales Service & Selling Exp. As % G.P. (%)	38.7	37.3		39.4	38.9		35.1	36.2	
Outside Sales Reps									
Sales Per Outside Sales Rep ($000)	$1,160.8	$1,217.0		$551.4	$639.4		$859.8	$968.9	
G.P. Per Outside Sales Rep ($000)	183.9	195.8		120.7	148.6		154.6	164.0	
*Avg. Pay & Travel Exp. ($000)	43.4	41.5		32.3	36.0		37.4	40.9	
*Avg. Pay & Travel As % G.P. (%)	24.6	23.2		24.6	24.1		25.7	24.8	
Sales Service Personnel									
Sales Per Sls. Serv. Empl. ($000)	$2,251	$2,426		$1,862	$2,120		$1,806	$1,820	
G.P. Per Sls. Serv. Empl. ($000)	347.0	361.0		418.9	451.8		325.1	301.5	
Avg. Pay of Sls. Serv. Empl. ($000)	17.1	18.2		15.3	15.9		15.9	16.2	

*Including supervisors

G.P. - Gross Profit Empl. - Employee Exp. - Expenses

Dimensions In Training

PART I: The Sales Manager as Leader

The role of the sales manager in paper distribution

Today more than ever, the top management in paper distributorships have come to realize that the outstanding sales manager must have the skills and competencies to manage both his company's sales and salespeople. However, the job of managing sales is quite different from managing people. Traditionally, top management has looked for sales managers proficient in the line selling situation but who have been weak in directing, controlling, and developing the individual in the territory.

The sales manager who can master the skills of closing sales, train, and develop salespeople is a great asset to the firm. Most recent research has shown that lack of field training of salespeople contributes to their high turnover. To combat this, the sales manager must therefore be a leader.

Leadership

There are many definitions of leadership; President Eisenhower's is quite appropriate: "You do not lead by hitting people over the head," he said. "Any damn fool can do that, but it is usually called assault, not leadership. I'll tell you what leadership is - it's persuasion, conciliation, education, and patience. It's long, slow, tough work. That's the only kind of leadership I know, believe in, or will practice."

The effective leader must have an understanding of supervisory goals:

- organization of salespeople's efforts
- improving sales presentations
- reducing travel expenses
- improving territory coverage
- improving personal effectiveness of salespeople
- servicing customers
- evaluating salespeople's performance
- improving salespeople's use of sales tools
- maintaining communication between management and salespeople
- on-the-job training of salespeople
- establishing objectives for salespeople
- improving sales services
- raising morale of salespeople

Sales vs. Management Leadership

While this article focuses on the sales manager's role, rather than on personality traits, it is important to note that success in sales managing comes from a conscious dedicaton to the belief that selling is not enough - that what is needed is **managerial leadership skills.**

The manager of salespeople has three areas of responsibility:

- Salespeople control
- Customer control
- Prospect control

The Manager	The Salesperson
Creates a plan, builds an organization, delegates, leads, and reviews.	Carries out instructions.
Gets things done through people.	Does the work alone.
Makes things happen.	Waits to be told.
Makes decisions systematically.	Lets others make the decisions.
Thinks money and territory profit.	Thinks sales volume, not profit.
Makes maximum use of support people and programs.	Resents "outside experts" and "home office stuff."
Thinks of "my territory, my company, my customers."	Thinks of "the company, those customers, the territory."
Believes that he or she is in control of his or her future.	Wonders what "they" are going to do to him or her.

Standards of performance and job targets are a starting point for the sales manager to help the individual salesperson define specific territories and account assignments. If the sales manager must manage by objectives (MBO), the salesperson must sell by objectives (SBO).

The sales manager must be aware that each salesperson:

- wants to know what is expected of him or her
- wants to participate in decisions affecting his or her results
- feels his or her performance is appreciably improved when he or she can influence the results attained
- wants feedback on how he or she is doing
- feels his or her performance is improved as the manager shows interest in his or her results
- wants recognition for his or her contribution

Fundamental to the management process is a re-definition and clarification of objectives. Between the salesperson and manager this includes the following:

- a mutually developed list of goals or targets to be reasonably accomplished during the coming year.
- an analysis in-depth of the salesperson's progress in reaching the previous year's goals or targets
- some qualifications of the salesperson's personal improvement program, designed to assist in reaching his career goal

The manager must understand the salesperson as an individual as well as a member of the sales team. Leadership will receive a positive response when it provides the means for people to attain personal objectives and satisfy individual needs.

Next month, *Part II: The Sales Manager As Teacher*

The Manager's Notebook

Getting the most out of support staff

Your secretary or administrative assistant can be one of your most valuable assets. Here are a few tips from **Working Women** *magazine that will help you manage these important people more effectively:*

- **Start the day** *by meeting together. If possible, have someone else answer the phone and greet visitors. Outline the day's priorities and discuss assignments. Get an update on progress of major assignments.*
- **Schedule a five-minute meeting** *at the end of the day. If you're not in the office daily, schedule meetings whenever possible.*
- **Protect the secretary's time.** *When the secretary is working on major projects, make sure that the usual interruptions don't occur. Ask someone else to answer the phone or answer it yourself for an hour a day.*
- **Bring in a temporary** *employee occasionally to free your secretary for a day to work on an important report. Psychologically, this communicates that the secretary's time is valuable as he or she works on high priority projects while the "temp" handles routine tasks.*
- **Keep your secretary informed.** *Always tell your secretary where you are going and when you expect to return. Use your secretary as a sounding board. Often secretaries know more than bosses about what's going on in a department or company.*

Why some high achievers stumble

High achievers usually wind up with greater responsibilities. But some don't, why? The Center for Creative Leadership studied Fortune 500 managers and reported the following in **Executive Productivity**:

- **Lack of sensitivity.** *Managers who treat others poorly seldom get promoted to the top.*
- **Rigidity.** *When consistency (a desirable trait) leads to inflexibility, changes seldom occur. And the people at the top are looking for managers who can effect changes.*
- **Too much ambition.** *If a manager is more concerned with promotions than with doing a good job, then promotions won't continue to come.*
- **Single-mentor mentality.** *Managers who don't learn from any mentors seldom develop their own management style—a minus when promotions are considered.*
- **Refusal to accept blame** *for mistakes. Managers who can't shoulder the blame for errors and fix the problem are seldom successful.*

Working women prefer male bosses

Women in the workforce prefer a male boss to a female by better than two to one, according to a new survey by Kane, Parsons and Associates as reported in the **Sales and Marketing Executive Report**.

39% preferred to work for a man while only 16% opted for a woman (45% had no preference). The reasons given were: "Men are fairer and more understanding," whereas women tend to be "petty, envious, power-mad and too aggressive."

However, of the women surveyed who currently work for a female, 76% described their bosses as either "fair" or "unbiased," or as "exceptionally understanding" and "supportive," compared to 66% who said the same about their male bosses.

Sometimes perceptions are not supported by the facts!

Paper Merchant Sales Report — May, 1984

	NPTA Regions	Sales per selling day May 1984 -compared to- May 1983	Sales per selling day May 1984 -compared to- April 1984	Sales per selling day 1984 year-to-date -compared to- 1983 year-to-date	Days outstanding (accounts and notes) at close of May 1983	Days outstanding (accounts and notes) at close of May 1984	Calendar days' cost* of ending April inventory 1983	Calendar days' cost* of ending April inventory 1984
INDUSTRIAL	1	+13.1%	+ 3.9%	+ 7.5%	39	44	57	--
	2	+17.2%	- 0.8%	+12.6%	34	37	51	56
	3	+14.7%	+13.2%	+17.8%	34	38	66	69
	4	+13.1%	+ 2.6%	+20.1%	34	37	51	57
	5	+ 8.9%	+ 6.2%	+10.4%	33	34	60	62
	6	+ 8.7%	+ 5.1%	+13.9%	40	40	54	--
	7	+ 7.2%	+ 7.0%	+ 1.3%	35	39	60	56
	NY METRO	+12.2%	+ 0.4%	+ 6.7%	43	43	30	--
	CHICAGO METRO	+14.8%	+ 4.4%	+12.2%	41	38	60	--
	LA METRO	+ 9.7%	+ 1.3%	+ 9.5%	43	51	57	59
	US	+12.2%	+ 5.5%	+13.1%	36	39	54	59
PRINTING	1	+37.0%	+ 9.0%	+29.2%	53	50	57	--
	2	+33.6%	- 5.3%	+28.9%	43	45	60	62
	3	+29.1%	+30.1%	+33.7%	44	42	82	91
	4	+31.2%	- 4.0%	+29.2%	41	42	69	70
	5	+31.6%	- 3.0%	+27.8%	42	45	78	85
	6	+28.0%	+ 0.2%	+19.3%	42	40	58	--
	7	+28.4%	+ 2.9%	+19.5%	40	40	73	84
	NY METRO	+53.1%	+ 4.8%	+46.3%	43	44	56	--
	CHICAGO METRO	+28.5%	- 0.7%	+27.5%	44	42	61	--
	LA METRO	+28.1%	- 1.3%	+27.4%	38	43	73	84
	US	+33.2%	+ 2.8%	+30.2%	43	43	69	79

*TO CALCULATE MONTHLY INVENTORY TURNOVER, DIVIDE 365 CALENDAR DAYS BY # OF CALENDAR DAYS COST, EG, 365/73 = 5.00x.

Region 1 CT, ME, MA, NH, RI & VT
Region 2 DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3 AL, FL, GA, NC, SC, TN & VA
Region 4 IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5 CO, IA, KS, MN, MT, NE, ND SD, WY
Region 6 AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7 AR, LA, MS, OK & TX

NY Metro: NY: New York City, Long Island and Westchester Co.
NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union

Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos.
IN: Lake Co.

LA Metro: Cities: Los Angeles, and San Diego
Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days

The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding

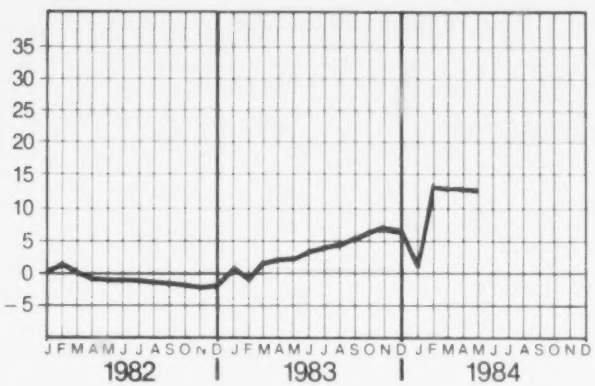
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

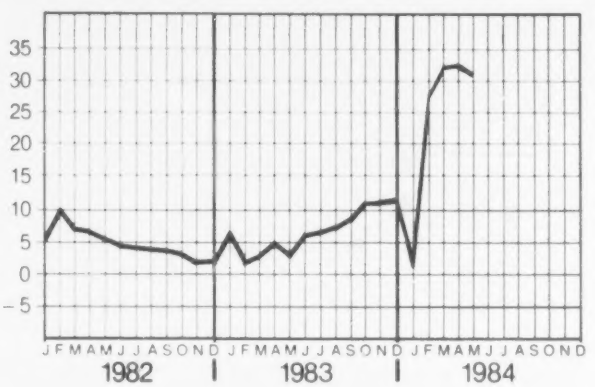
Paper Merchant Sales Report
Summary National Trend Information: 1982 to present

SALES INFORMATION: YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY.

INDUSTRIAL PAPER SALES NATIONALLY

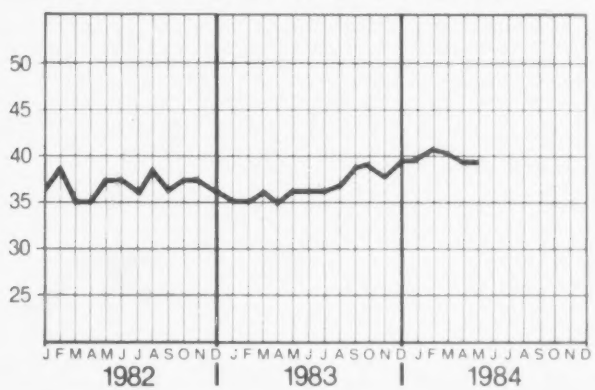


PRINTING PAPER SALES NATIONALLY

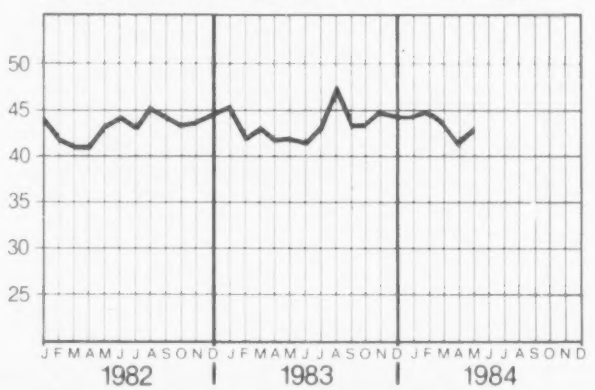


RECEIVABLES INFORMATION: DAYS OUTSTANDING FOR ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



PRINTING PAPER RECEIVABLES NATIONALLY



INVENTORY INFORMATION: CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY

PRINTING PAPER INVENTORY NATIONALLY

500-employee threshold maintained

Wholesalers score a major victory on small business administration size standards

In a victory for wholesalers, the Small Business Administration (SBA) has maintained the 500 employee size standard threshold for **all** wholesale trade, reports the National Association of Wholesalers (NAW). The size standard determines eligibility for SBA financial and federal procurement programs. Previously, SBA wholesale distribution size standards included the 500 employee threshold for procurement programs but had a separate dollar volume limitation for financial programs.

Background

In March 1980, SBA published for the first time significant revisions to the small business size standards in an attempt to define the amorphous term "small business." SBA's objective was, and still is, to bring uniformity, certainty and equity to their direct loan and loan guarantee programs. Moreover, SBA believed it was their responsibility to define small business for legislative, regulatory and procurement purposes as well.

Employee Standards

At the time of the first proposal, wholesaler-distributors had a size standard of 500 or fewer employees. To be eligible for SBA loans or loan guarantees, the size standard varied by commodity line from $9.5 million to $22 million in gross receipts.

The proposal would have reduced that 500 employee threshold for printing paper merchants to 100 and industrial paper merchants to 60 employees. Thus, a significant number of paper distributors would have become ineligible for certain government procurement activities.

Of even greater concern to wholesaler-distributors was the fact that these proposed standards could be used by the executive departments and regulatory agencies of government as cut-off points for determining eligibility of small business to take advantage of simplified regulatory and reporting requirements.

Procurement Policy

On the question of government procurement contracts, the proposed stringent standards would have caused government to procure massive amounts of goods directly from manufacturers, a policy discouraged by the government's own Office of Federal Procurement Policy (OFPP). The size standards are supposed to provide small enterprises with increased opportunities to sell products to the government. If wholesaler-distributors in a wide range of commodity lines were to become unable to qualify as "small business participants" in government procurement programs, the government contracts instead would go to manufacturers selling directly to GSA, thus actually *damaging* small businesses in the process.

Subcontracts

Another detrimental situation which the proposed standards would have precipitated involved subcontracts. The government encourages large government contractors to sublet contracts to small firms to the greatest possible extent. The contractors report to the purchasing agency the amount of procurement which has been subcontracted to small business. If a wholesaler-distributor under the new size standards would not have carried the range of inventory required for the government contract, then the prime contractor would have had no incentive to give the procurement to that wholesaler-distributor. The primary contractor might not have subcontracted at all, or might have awarded the subcontract directly to the manufacturer. Thus, smaller distribution channels would not have been utilized as currently encouraged by the federal government.

A Withering Attack

SBA's initial proposal was the subject of a withering attack by virtually all members of the small business community, including NAW. As a result, the proposal was withdrawn "for revision."

The second round of proposals, while an improvement over the first were also flawed. They still failed to address the key concerns raised by NAW regarding the legislative, regulatory and procurement impact they would have.

The public comment period for the second set of proposals closed August, 1982, and the revised size standards were issued for comment in May of last year. There were significant changes made in this third version of the rules as they related to wholesale distribution, but they were still not completely acceptable to NAW and NPTA.

SBA proposed to change the gross receipts standard to a maximum of $35 million which, in effect, would have meant a lower size standard for procurement purposes. SBA also indicated that the gross receipts standard would continue to be adjusted by the GNP Deflator to account for inflation, and that non-manufacturing bidders for small business procurement set-asides would have to meet the wholesale trade size standard.

NAW and its member associations issued final comments on this third set of proposed size standards last year, which led to the SBA decision to maintain the original 500 employee size standard for the entire wholesale distribution industry.

PAPER Foundation launches endowed research chair program

A true partnership between a major industry and a public university

The Paper And Plastics Education Research (PAPER) Foundation has launched a most ambitious program at the University of North Florida: The Endowed Trust Fund for Eminent Scholars program to study paper, plastics and allied products wholesale distribution. The Foundation, created by the National Paper Trade Association to study trends in wholesale paper distribution, has the participation of both merchants and suppliers.

John J. Buckley, Jr., President of NPTA, said that "the establishment of the PAPER Chair at North Florida will give the paper distribution industry a focal point for its research activities. I fully expect that the results of the projects accomplished through this endowment will have a major and lasting impact on the paper distribution community."

What is an endowed chair?

The endowment is a trust fund set up at the University of North Florida with proceeds used each year to pay for the costs of maintaining the research position. It is a one time investment which will pay for itself forever.

The endowed chair requires a $1 million investment. The state of Florida has committed $400,000 toward the Foundation's goal. The remaining $600,000 is now being raised in pledges from the paper and allied products industry.

What projects will be done?

The two most important criteria for project selection are relevance to industry needs and long term industry impact. Research in management, marketing, finance, and physical distribution will occupy the majority of the endowed chair activities.

A partial list of potential topics include:

- To study the affects of demographic changes on products sold by distributors.
- To study market potential and life cycle of products sold by distributors.
- To develop economic models to predict the sale of paper, plastics and allied products under varying business conditions.
- To develop effective marketing and management strategies in the highly fragmented, industrially competitive industry of paper, plastics and allied products distribution.
- To design procedures to maximize sales force motivation and productivity.

Also, the Chair will work to develop industry-wide voluntary standards, plus provide executive development programs for managers with other universities and consultants.

The Trustees of the PAPER Foundation, a group of industry leaders, will supervise project selection and execution to guarantee the relevance and importance of these projects to the industry.

Participation at many levels

The endowment program requires industry participation on all levels. Money is now being pledged, projects are being formulated, and eminent scholars in wholesale distribution are now being sought. Any help members can provide is much appreciated by the Foundation. All contributions are tax deductible. For more information, contact John J. Buckley, Jr., president, NPTA.

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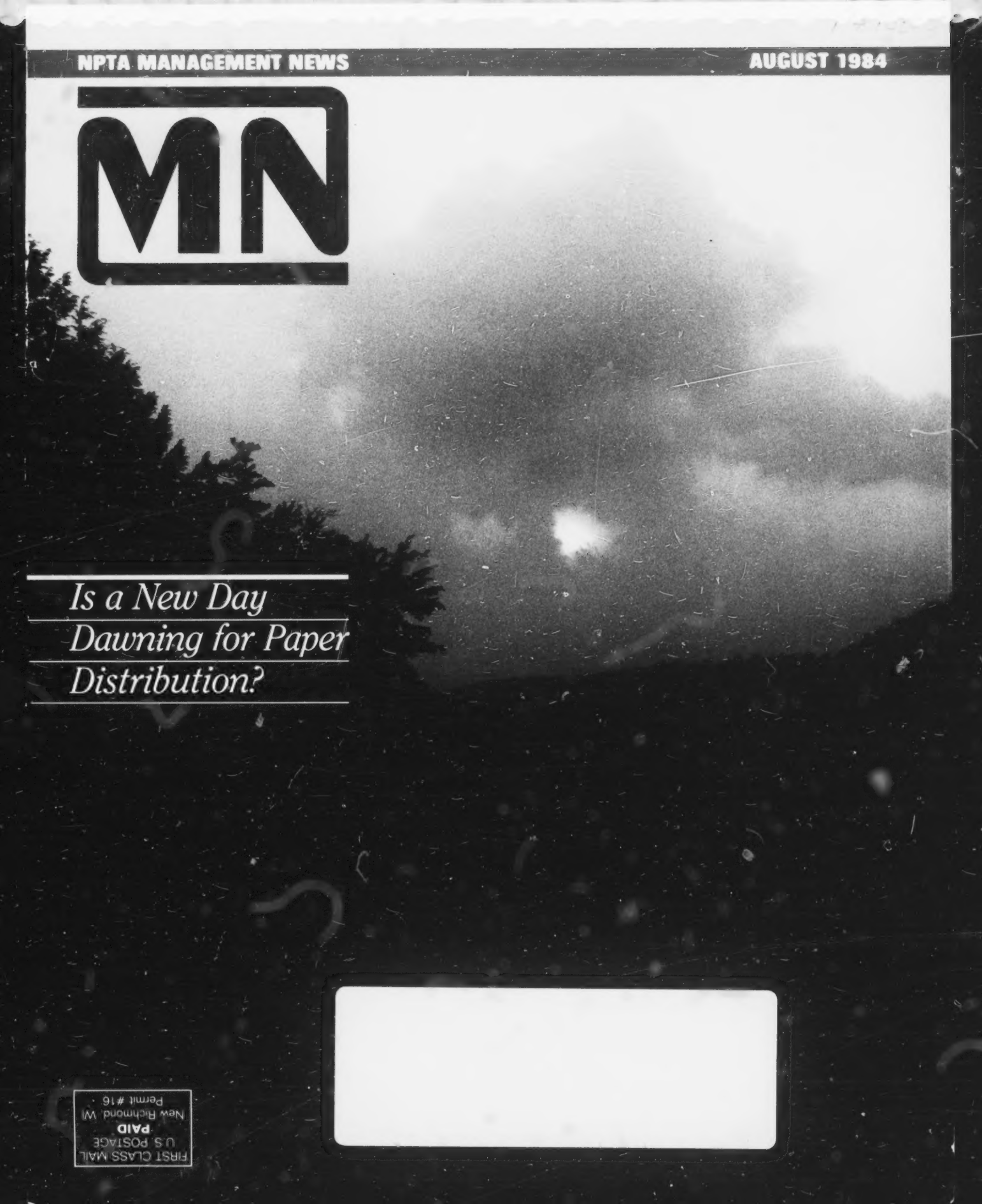

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Editor
William H. Frohlich

Contributing Editors
John J. Buckley, Jr.
John S. LaRosa
Bruce H. Linden

Editorial Assistants
F. Berneice Underwood
Jackie Wicks

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Cover Photo:
Roger Tully

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by Denis F. Healy
Well constructed strategies to enhance market position and improve productivity are helping some paper distributors create a new day. As the industry changes due to challenges from other commodity distributors, new technology, and altered methods of doing business, paper merchant executives must plan for the future as carefully as they plan their week ahead.

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BUTLER RESTRUCTURES IOWA OPERATION

The Cedar Rapids, IA branch of the Butler Paper Company has been restructured to division status. Previously, it had been a branch of the company's Des Moines operation. The change is designed to support Butler's growth in the Cedar Rapids market.

John D. Ewalt, who was formerly branch manager, has been promoted to vice president and general manager of the new division.

MEMORABLE COLORS CAMPAIGN BEGUN BY NATIONWIDE

"Memorable Colors" is the theme of an imaginative campaign designed by Nationwide Papers to acquaint paper specifiers, graphic designers and printers with a vast array of colors in their text papers line.

A series of six 18"x21" posters, each printed on a different color text paper, uses whimsical cartoons and copy to illustrate the many popular blues, reds, yellows, greens, grays, and neutrals. The same copy line on every poster points up Nationwide's selection of text papers. A postcard teaser for each color is presently being mailed to paper specifiers and customers to herald distribution of the posters by the company's sales representatives.

Behind the promotion is The Paper Picker® — a color-classified sampler of more than 250 colored text, offset and cover papers inventoried by Nationwide.

ST. REGIS TO ACQUIRE COLONIAL PENN

St. Regis Corporation and Colonial Penn, Inc. announced the signing of two definitive agreements for St. Regis Corporation to purchase all the outstanding common stock of Colonial Penn Group, Inc. Assuming the exercise of stock options, there are approximately 16,360,000 shares of Colonial Penn outstanding.

William R. Haselton, Chairman and Chief Executive Officer of St. Regis Corporation, stated, "The potential acquisition of Colonial Penn is an important step in our strategy of building St. Regis' insurance operations while we continue to expand in specific paper and packaging lines. Colonial Penn is an excellent company. Its specialty life and consumer insurance products and its premier distribution system complement our existing insurance operations. In addition, this acquisition will increase the stability of our earnings and our cash flow. The immediate impact on earnings per share is non-dilutive and, more importantly, we expect significant profit growth in the future."

Inlander-Steindler Paper Company broke ground for its new facility in Menomonee Falls. The new building will be ready by the end of this year. At the groundbreaking from ISP (L to R) are: Thomas L. Altholz, president and COO; Herbert C. Altholz, chairman and CEO; Don Charlier, VP Jansen (contractor); and Warner Hillner, ISP Milwaukee branch manager.

'PAPER MILL OF THE YEAR' AWARD TO CONSOLIDATED

Newsweek magazine gave its first "Paper Mill of the Year" award to Consolidated Paper's Biron Division. The competition pitted the eight mills that supply paper to print the weekly magazine. Samples were tested for conformance to specifications in the areas of brightness, gloss, opacity, porosity, smoothness,and pick resistance.

Allan McLeod, director of strategic services at *Newsweek*, said "This award is a credit to the employees of the Biron Division whose devotion to superior craftsmanship has earned them a reputation for excellence."

The award is a cast paper sculpture by Frank Gallo and was presented to Lawrence Boling, president of Consolidated.

JAMES RIVER BUYS SCOTTISH MILL

GB Papers is a small, independent producer of specialty papers in Scotland which has just been purchased by James River. It is the company's first overseas venture.

The Scottish company produces printing and writing papers, computer paper and label stock and has little overlap with James River's existing product lines. The mill in Scotland will be expanded to produce some of James River's products.

CONSOLIDATED PACKAGING FILES CHAPTER 11

Consolidated Packaging Corporation, a manufacturer of corrugated boxes and folding cartons has filed for protection under Chapter 11 of the Federal

(Continued on page 6)

1984 NPTA CHICAGO

National Paper Trade Association

The Annual

CONVENTION

AND

PAPER/PLASTICS AND ALLIED PRODUCTS

EXPOSITION

September 22–25, Saturday–Tuesday, 1984
Hyatt Regency Chicago Hotel, Chicago

Paper Distributors from every state in the Union and 16 foreign countries will meet in Chicago for the major event of the year: NPTA's Annual Convention and Paper/Plastics and Allied Products Exposition.

Plan on being there for important workshops and seminars, a chance to meet the leaders of the industry, share ideas, and learn what's new on the market for paper distributors.

Expo '84 will feature paper, plastic and related products including health care disposables, retail and industrial packaging, food service items, sanitary supplies and equipment, non-wovens, foils, tapes, wraps and other specialties. Computer hardware and software designed specifically for paper distributors will also be displayed.

Don't miss NPTA's Convention and Expo '84—The Show, the meetings, the Special Events...all waiting for you in Chicago!

National Paper Trade Association, inc.
111 Great Neck Road, Great Neck, New York 11021
(516) 829-3070

(Continued from page 1)

Bankruptcy Code. The company said it would seek to satisfy all obligations.

"We are a casualty of the severe depression in certain industries and a victim of high interest rates and costs," a company spokesman said. Consolidated, headquartered in Chicago, IL, reported a 1983 loss of $3.6 million on sales of $73.9 million.

SCOTT PAPER TO BUY SANI-FRESH

Scott Paper Company announced that it has reached an agreement in principle for the purchase of Sani-Fresh International, Inc., a San Antonio, Texas based manufacturer of personal cleansing products and systems for commercial and industrial markets. Terms of the agreement were not disclosed.

Sani-Fresh is a leading supplier of liquid washroom soaps and dispenser systems for manufacturing facilities, office buildings, restaurants, and other commercial or away-from-home markets. The firm also supplies this market with a range of specialty cleaning systems and products. Sani-Fresh will operate as a wholly-owned subsidiary of Scott.

Scott indicated that Sani-Fresh is a growing, highly innovative company that fits well with Scott's objective of seeking growth opportunities in areas that build on its existing strengths and unique capabilities. The Company further noted that Sani-Fresh is a natural extension of the towels, tissues, napkins and wipers Scott currently sells to the away-from-home market.

Sani-Fresh president Jack Hunter, who will continue to direct the company's operations after the acquisition, said, "The technological advantages of Sani-Fresh's products and dispensing systems complement Scott's recognized expertise and experience in distribution and marketing. Looking to the future, the acquisition should greatly expand Sani-Fresh's potential markets."

POTSDAM PAPER TERMINATES NEGOTIATIONS

Potsdam Paper Corporation announced that it has terminated negotiations for the sale of its mill at Potsdam, New York to Little Rapids Corporation of Green Bay, Wisconsin. According to Wilbur W. Krueger, President and Chief Executive Office, the primary reason for the failure to complete the transaction was the unwillingness of Little Rapids to assume responsibility for an existing pension plan that covered hourly employees.

APPLETON PAPER TO BUY GLATFELTER MILL

Thomas C. Norris, President of P.H. Glatfelter Company, Spring Grove, PA and Thomas W. Busch, Chairman and Chief Executive Officer of Appleton Papers Inc., Appleton, WI, a wholly-owned subsidiary of BATUS Inc., announced today that Glatfelter and Appleton had reached an agreement in principle for the sale of Glatfelter's West Carrollton, OH, paper mill to Appleton Papers Inc.

Mr. Norris stated that the purchase price, to be represented by a promissory note due in 5 years, is estimated by Glatfelter to have a present value of approximately $83 million and should result in an after-tax gain to Glatfelter estimated to be $24 million or $1.85 per share in the third quarter of 1984.

Glatfelter acquired its West Carrollton Mill in 1979 in connection with the merger of Bergstrom Paper Company into Glatfelter. Bergstrom had previously acquired the mill from Kimberly-Clark Corporation.

PEOPLE IN THE NEWS

Craig E. Anderson was promoted to vice president and general manager of Consolidated Marketing, Little Rock, AR, a division of the Butler Paper Company. He moves there from Sioux Falls, SD where his position as branch manager has been taken by **Michael E. Mycka.**

Gerald F. McPherson has been appointed manager, Nationwide Papers, Albuquerque, NM.

In other changes at Butler, **John H. Schulz** was named vice president and general manager of the Tyler, TX Consolidated Marketing operation. Also in Tyler, **Cecil Scruggs** was named vice president and assistant general manager. **Dean G. Veneman** was promoted to branch manager of Butler's Santa Rosa, CA outlet. **C. Dennis Olt** was named general sales manager of the company's Kansas City division. And, **David L. Pettis** was named vice president and general manager of the Fort Wayne, IN operation.

Eric Hoag has been appointed warehouse manager of Mead Merchants in Flint, MI.

Harald Tybring-Gjedde has been elected president of the Norwegian Wholesale Paper Merchants Association.

Jerry Garner was elected vice president of the Bag & Kraft Paper Marketing Division and general manager, bag operations for Stone Container. Also appointed at that division were: **Mat Diederichsen**, ..e president, multiwall bag sales and **Joel Busel** and **Sam Posner**, vice presidents, retail bag sales.

Ronald M. Gross has been elected chairman of ITT Rayonier and will continue as president and CEO.

Robert A. Starling was appointed vice president, distribution division for the southeast region of Georgia-Pacific.

Remi P. Cloutier has been elected president and director of International Paper Canada, Inc.

MEASURE YOUR ROTA!

The annual Performance Analysis Report (PAR) of financial performance by paper merchants generates over 300 different ratios. These measures, calculated by Management Foresight, Inc. (MFI) of Columbus, Ohio are grouped into several categories that analyze: Sales, Profitability, Profit Margin Management, and Financial Leverage.

These 300+ ratios should be viewed as an inter-related set of performance measures that tell a story about how well a paper merchant is doing compared to his peers in similar regions, sales volume classes, or product classifications. Problem areas will be revealed when a merchant's results differ *significantly* from these industry averages. However, each company has its own goals and style of operation, and may be willing to accept lower than average results in one area if it is balanced by above-average results in another area.

Probably the most valuable ratio in the PAR is RETURN ON TOTAL ASSETS (ROTA). ROTA is a profitability measure which relates profit earned on sales to a firm's asset investment. Following is the ROTA formula:

$$\text{ROTA} = \frac{\text{Net Profit On Sales}}{\text{Total Assets}}$$

This measure, which evaluates a paper merchant's combined performance in two key areas, namely: **profit margin performance** and **asset management**, is so vital that all companies participating in PAR are ranked as a high, median or low ROTA firm. A "high" ROTA firm is one that has results mid-way between the very *strongest* and the median value. A "low" ROTA firm's results are at the mid-point between the weakest and the median value.

The table on this page provides a 1983 profile of high and low ROTA firms in key functional area expenses associated with the warehouse, front office, and sales department. In relation to last year . . .

- Storage expenses are taking a bigger bite of gross profits across-the-board, for high ROTA firms.
- Handling and delivery expenses relative to gross profit are down for printing and industrial paper merchants, but are up for dual firms.
- Administrative and sales service expenses as a percent of gross profit fell for all three high ROTA groups.

Notice that there are large differences between the performance results of low and high ROTA groups. How does your firm stack up?

For a more detailed discussion of the ROTA concept, refer to "Effective Financial Management for Wholesale Distribution," written by Dr. Peter Mullins of MFI and the 1984 edition of *Paper Merchant Performance*. Both are available from NPTA.

FUNCTIONAL AREA EXPENSE MEASURES FOR HIGH & LOW PROFIT FIRMS

(Based On 1983 PAR Survey)

	Low ROTA Firms	High ROTA Firms	Your Firm	Difference From High Low ROTA Groups (%)
Storage Expenses As % *W.&I. Gross Profit				
Printing	10.23	6.53		57
Industrial	7.52	6.56		15
Dual	8.21	8.18		under 1
Handling Expense As % *W.&I. Gross Profit				
Printing	11.60	11.12		31
Industrial	7.67	7.21		6
Dual	11.81	10.11		13
Delivery Expense As % *W.&I. Gross Profit				
Printing	11.29	10.17		10
Industrial	16.33	12.21		34
Dual	11.88	11.19		33
Office Expense As % Gross Profit				
Printing	11.08	8.74		27
Industrial	11.86	8.90		33
Dual	15.28	11.06		38
Administrative Expense As % Gross Profit				
Printing	17.09	11.91		43
Industrial	15.87	12.72		25
Dual	18.20	10.11		79
Sales Service Expense As % Gross Profit				
Printing	10.80	7.20		50
Industrial	8.70	1.66		87
Dual	10.70	7.85		36
Selling Expense As % Gross Profit				
Printing	29.01	23.67		23
Industrial	34.37	32.27		7
Dual	29.38	26.11		13
Sales Serv. & Selling Exp. As % Gross Profit				
Printing	39.32	31.62		21
Industrial	40.52	36.56		11
Dual	38.06	33.72		13

*Warehouse & Indirect

TRENDS

IS A NEW DAY DAWNING FOR

The demands on paper distributors are changing the character of the industry.

The role of the paper merchant has never been easy to fill. In today's dynamic business climate, the changing expectations of end users and suppliers are having a dramatic impact on merchants. Distribution is being challenged to respond quickly and effectively by absorbing or relinquishing marketing functions.

In the past, the success of many paper merchants was achieved through the entrepreneurial spirit, charisma and energy of the owners. More recently, these important qualities have been coupled with a variety of innovative techniques and approaches, such as strategic planning, management training, and professional marketing expertise. The end result is a radically different and strong distribution system for paper and related disposable products. Today's rapid advances in information management and materials handling along with the growing acceptance of strategic marketing approaches to growth are revolutionizing the industry.

Until recently, paper distribution has been viewed by many as an unexciting and not very profitable business. Yet merchants have always made significant contributions to the efficient functioning of many channels of distribution. Unfortunately their marketing role and the contributions they can make to the value of products has been widely underestimated and misunderstood.

Is the sun rising or setting for paper merchants?

The once narrow definition of a merchant as one who stores and moves products to customers is being recast. The progressive paper distributors of the 1980's look and act in a manner radically different from their predecessors.

The paper merchant of today is moving out of the shadows and into a position of high visibility and recognition as a vital contributor to the functioning of the economy. As a result, the traditional stereotype of the merchant business as "unsophisticated" and labor-intensive is giving way to a more enlightened view.

Paper distribution is evolving from a fragmented collection of business establishments to a highly sophisticated, programmed distribution system. The metamorphosis is still under way, but the pace of change is accelerating rapidly. The industry is on the brink of a distribution revolution.

At one end of the distribution system, customers and end users are demanding more and better products and services, while seeking lower costs and more efficient acquisition methods. In response to these demands, mills and converters at the other end of the system are offering an ever-expanding array of goods and services while striving to improve their market coverage. As a result of these forces, great demands are being placed on the technical, managerial and marketing skills of merchants. Responding effectively to these demands is the major challenge to the paper distribution industry for the 1980's and 1990's.

Shifting market conditions and advancing technologies are the driving forces of change throughout the distribution system. Those who can sense these trends and adjust to the changes will sustain profitable growth. Those who wait for the changes to happen will barely survive or will risk being driven out of business.

Is a new day dawning for paper distribution?...or is the sun setting? The answer to both questions is yes. Merchants who grasp the implications of change and capitalize on the opportunities facing them are able to influence—if not create—their

PAPER DISTRIBUTION?

own futures by implementing effective growth and market coverage strategies. Clearly, a new and bright day is dawning for them.

Those who fail to examine their position or resist taking bold actions to redefine their businesses will have their futures created for them. This article traces the route the industry has taken and offers a set of strategic guidelines to merchants who seek to gain control of their own destinies and participate actively and profitably in this new era of paper distribution.

The Growth Imperative

The most effective way to cope with change is to help create it. And to do this requires a commitment to growth. There is no question that growth is a prerequisite to survival. A commitment to growth is essential if a company expects to retain key personnel and sustain its relationships with vendors and other organizations.

The only known way to achieve growth is through carefully constructed strategies which enhance market position and improve productivity levels. Growth is achieved by moving the organization into stronger, more profitable positions in served markets and through various market coverage strategies that position the company in attractive new market segments and geographic areas.

In this dynamic era of paper distribution, the challenges and opportunities confronting the merchant are truly spectacular. Those who expect to sustain profitable growth in such an exciting environment must evaluate their markets and competitive situations regularly and with great skill. They must be experts in translating opportunities into high-impact business strategies and marketing programs capable of strengthening and solidifying the company's market coverage and competitive position.

In spite of the premise that growth is essential for organizational survival, the fact remains that the economic and demographic profile of North America is nearing maturity in many of its parts. As markets mature it becomes increasingly difficult for most businesses to grow.

In mature markets, real growth can only be achieved at the expense of competitors, by finding ways to expand the level of demand for the products and services offered, or by entering new geographic areas or market segments.

In the years to come, executives directing businesses operating in mature market areas must become far more creative in deciding how and where they are going to achieve growth. And at the same time, they must increase their productivity in serving present markets.

The fact that a market is mature should not automatically lead one to the conclusion that it should be abandoned for greener pastures. Rather, a careful analysis should be made of the needs of the total account base in the area, with particular attention being given to the importance of costs, credit and service levels.

Although it is not possible for a paper merchant operation or any other business to provide services without adequate compensation, there are usually opportunities even in mature marketing areas to adjust the business approach to respond profitably to the specific needs of such markets. Focusing on productivity, cost-effective service offerings, rationalized pruned product line offerings and joint ventures with suppliers and customers is crucial in such situations.

In new and emerging markets, growth is driven by expanding demand, and there is usually "room" or market space available for new competitors. Distributors in "growth" markets, however, find that there is another set of pressures to be dealt with if profitable growth is to be achieved. Executives in these companies are faced with the tasks of locating affordable funds and capable personnel in order to fuel the growth of the business. These key resources are neither inexpensive nor easily obtained—a fact evident to anyone who has tried to acquire them.

Furthermore, in rapidly-growing markets, competitive intensity grows at least as fast as

The only known way to achieve growth is through carefully constructed strategies.

does the rate of demand. Growing markets attract the more efficient and innovative distributors. The new entrants may have established positions in other, more mature markets. Or they may have roots in other industries—or even other countries—where methods and operating economies may be quite different from accepted norms. In these situations, it is imperative that market entry be decisive and that great attention be paid to marketing and customer service activities.

Thus, the apparent profitability and ease of operation attributed to a growing market, as compared to a more mature setting, may be misleading. All that can be said about either market scenario is that those who survive and achieve acceptable rates of return have learned how to think strategically and translate plans into profitable performance.

A Look to the Past

The events that precipitated the distribution revolution are as worthy of mention as are the conditions that presently sustain it. The following sections outline the main stages of development in paper distribution over the past few decades.

Today, customers, mills and converters are demanding that the distributor offer services in a great variety of areas.

The 1960's and Consumerism: The Decade of the 1960's—The Era of Consumerism—is noted for technological breakthroughs of all kinds, and a redefinition and clarification of the rights and lifestyles of consumers. These changes brought about new demands for products and services. Adding to the shifts in demand patterns was the massive population migration to the suburbs, and then to the Sunbelt. This brought forth new demands on the distribution system. Distribution channels in many product categories underwent significant changes as firms attempted to respond to the shifting centers of population and the proliferation of products and services that emerged during this period.

The 1960's have been characterized as a shake-out period for distribution-related businesses. Paper merchants and other members of the distribution system adopted new methods and functions not only in physical distribution but also in marketing. As end users continued to demand a wider array of goods and services, distributors formed chains and buying marketing groups, expanded their merchandise offerings and became formidable figures in the channel of distribution.

During the 1960's, merchants experienced an explosion of the fast food market, the growth of the health care system, advances in plastics and paper technology, innovations in publishing, offset printing, electrostatic copying. The 1960's was an era when expressions such as "multiple copies," "fast foods," "disposability," and "labor-saving" became part of the consumers' vocabulary and provided the basis for the formation of new industries with heavy demand for paper and related products.

For resourceful merchants the forces of consumerism provided opportunities to offer an expanded range of products to a wider array of market segments. Those unable or unwilling to respond, however, were quickly pushed to the sidelines. In effect, the seeds of change for the Distribution System Era of the 1980's had been planted.

The 1970's—The Productivity Era: The 1970's followed with a roar rather than a whisper. Problems in obtaining low-cost energy made it apparent that many had sacrificed productivity improvement—a long-run proposition—for short-term profits. With inexpensive energy, it had been possible to overlook or defer productivity improvement efforts. The advent of soaring energy costs, however, brought the productivity issue into focus and a massive effort was made to improve productivity not only in the mills and factories but throughout the distribution system. The Productivity Era was launched as a result of these pressures.

During the 1970's, mills and converters, out of necessity, began an all out effort to increase productivity both within their organizations and in their business relationships. End users and customers also mounted vigorous searches for productivity improvements. The major areas for them were in purchasing and inventorying practices. In fact, the search for productivity

improvement for all trading partners extended far beyond production and operations into offices, branches, the sales organization and finally into the channel of distribution. The result was a heightened awareness of the pivotal position of the paper merchant as an important vehicle in improving productivity for mills and end users alike.

The stressful times of the 1970's heightened the realization of astute merchants that profitable operation is based on the ability to move products and information accurately, quickly and inexpensively among the trading partners. Leading merchants recognized that productivity improvements and high growth rates are achieved both within the organization and in the marketplace. They experienced productivity gains through cost containment and cost reduction programs in all parts of the organization. And through innovative business strategies and marketing approaches they increased their overall marketing effectiveness and the growth potential of their companies.

The 1980's—The Distribution Systems Era: The 1980's mark the beginning of a new age. The dramatic changes of the 1960's and 1970's came together and forced a major realignment of the strategies, structures and systems used by paper merchants, the Distribution Systems Era was launched. For example, the advances in electronic technology during the 1960's and 1970's are being translated into cost-effective computing and communications systems during the 1980's. These advances promise to revolutionize industry and individual lifestyles.

The response of merchants to these forces of change has many dimensions; among the more important are the following: a) concentration on target marketing and strategic planning; b) rationalization of the breadth and depth of product and service offerings; c) increased merger and acquisition activity; d) widespread use of the computer as a management tool; e) growth of regional and national distribution networks; f) opening of large scale distribution centers; g) consolidation of purchases through buying groups; and h) experimentation with various "retail-like" sales outlets and consumer market techniques.

The paper distributor of the 1980's must be

an effective provider of marketing and technical services, committed to adding value to the products being distributed. Today, customers, mills and converters are demanding that the distributor offer services in a great variety of areas from technical applications assistance and advice on inventory management techniques, to marketing programs and merchandising tools. Improving productivity and customer service levels are the major challenges facing the paper merchant.

Although the demand for such services presents many opportunities to the distributor, there is also an abundance of new challenges to be met. These involve devising ways to render the services in a cost-effective manner, identifying market segments and responding to their unique requirements, and recruiting and retaining motivated, skilled personnel, to name a few.

Meeting the Challenges Ahead

The revolutionary changes occuring at all levels of the distribution system present distinctive opportunities and threats to printing, industrial and dual merchants. Responding effectively to such conditions is the most important obligation of management. A conscious effort must be made to understand, develop and implement highly effective market coverage strategies. This is the key to sustained growth and profitability during the balance of the 1980's. In this section, an examination is made of several of the most important challenges that must be

In today's electronic age, physical proximity is giving way to computer compatibility and the "illusion" of proximity.

met by merchants in this new era of distribution.

Commitment to Planning and Marketing: In an age of dynamic change, paper merchants must look carefully at their commitment and approach to planning and marketing. Planning is an essential management process dedicated to making decisions today about the future of the business. The planning process involves far more than extending history or budgeting. Rather, it provides a vehicle for managers to prepare their departments, branches and entire businesses for the emerging markets and competitive environments.

In effect the business plan is a working document which addresses how and when the company intends to respond to each target market as well as specifying the resources and personal involvements that will be needed to carry out the plan.

Central to sound planning is a clear definition of the market areas and segments to be served. No longer is it possible for a paper merchant to be all things to all customers or vendors. The marketplace has become too complex and demanding to accept those with a "buckshot" approach. The keys today are market segmentation—making choices of markets to serve—and specialization of sales, products and service offerings. More specifically, merchants must a) analyze the markets available, from hospitals and health care to the "cut size" user segment, b) select those segments that are most attractive, c) develop specialized marketing programs to reach them, and d) monitor the profitability of each market segment in the business portfolio.

Information Management—The Key: Information is one of the most vital and valued assets a business can have, and knowing how to acquire and use information effectively is what differentiates market leaders from followers. Dramatic decreases in information processing costs coupled with equally dramatic increases in physical distribution and asset retention costs have stimulated a redefinition of the distributor merchant role.

At the leading edge of the information revolution are some organizations which are becoming electronic sales service centers containing relatively limited inventories of high volume items. These field locations are being integrated into centralized information management and purchasing systems allowing orders to be shipped directly to customers or to branches on an as-ordered basis.

These "branches" (or service centers) are staffed by specialized sales and customer service personnel who have knowledge of the products they sell and are skilled in the use of information systems. They are responsible for developing and maintaining contact with local markets and for providing market information to the distribution center. Where this approach has been refined, the distributor becomes an essential marketing services hub, electronically bridging geographic and information gaps between vendors and end users.

As the paper merchant of the 1980's becomes an electronic clearinghouse for market information as well as a place to physically sort and store products, the potential benefits to mills and converters as well as customers are numerous. Mills may be offered marketing support and research services to help them make decisions about their overall marketing and product development programs. Similarly, customers and end users may be offered sophisticated and tailored applications assistance on everything from product characteristics to employee training. Customers may also use various programs to facilitate purchasing, inventorying, and, where appropriate, marketing of products.

Branching and Network Development: In the past, distributors were useful to mills and end users because they had physical proximity to the marketplace and had close personal involvement with customers. In today's electronic age, however, physical proximity is giving way to computer compatibility and the "illusion" of proximity. As a result, distributors with centralized data processing and decentralized inventories may realize substantial inventory investment savings by centralizing their inventories. And, they can